

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 NEA-06 IO-10 H-01 L-02 PRS-01

PA-01 USIA-06 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01 SIL-01

/083 W

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R 080222Z NOV 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 8215

INFO AMEMBASSY BANGKOK

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USADB

TREASURY FOR ZINMAN

E.O. 11652: ADS DECLAS 4/30/75

TAGS: EAID, EFIN, TH

SUBJECT: MAE MOH POWER PROJECT (THAILAND)

REF: MANILA 11580 (1972)

SUMMARY: ADB MANAGEMENT HAS AUTHORIZED AWARD OF CONTRACT BY ELECTRICITY GENERATING AUTHORITY OF THAILAND (EGAT) FOR \$8.845 OF LIGNITE HANDLING EQUIPMENT AND INTENDS TO AUTHORIZE EGAT TO ISSUE LETTERS OF INTENT TO AWARD CONTRACTS FOR ADDITIONAL EQUIPMENT OF ABOUT \$6.2 MILLION, OR A TOTAL OF APPROXIMATELY \$15 MILLION OF EQUIPMENT IN EXCESS OF THE \$23 MILLION APPROVED BY THE BANK ON DEC. 12, 1972 FOR THE MAE MOH POWER PROJECT. THESE ACTIONS ARE WITHOUT COMMITMENT ON PART OF BANK TO FINANCE COST OVERRUN.

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MANAGEMENT ALSO PROPOSES TO AUTHORIZE EGAT TO EXERCISE

OPTION INCLUDED IN ORIGINAL TENDER INVITATION APPROVED BY BANK FOR SUPPLY OF TURBINE GENERATOR AND BOILER REQUIRED FOR SECOND (STATE II) 75 MW UNIT ESTIMATED TO COST ABOUT \$25 MILLION. BANK INTENDS TO MAKE CLEAR THERE IS NO COMMITMENT ON ITS PART TO FINANCE STAGE II EQUIPMENT PRIOR TO BOARD CONSIDERATION AND APPROVAL OF PROPOSED PROJECT.

1. BANK APPROVED \$23 MILLION LOAN ON DEC. 12, 1972 TO FINANCE FOREIGN COST OF MAE MOH POWER PROJECT OF EGAT, INCLUDING CONSTRUCTION OF FIRST 75 MW UNIT OF LIGNITE FIRED THERMAL POWER STATION, EXPANSION OF EXISTING LIGNITE MINING OPERATIONS AT MAE MOH AND CONSTRUCTION OF ASSOCIATED TRANSMISSION LINE. LOAN IMPLEMENTATION HAS PROCEEDED ON SCHEDULE. MAJOR CONTRACTS FOR TURBINE GENERATOR AND BOILER AND RELATED EQUIPMENT (COMPRISING ABOUT 85 PERCENT OF LOAN, BASED ON ORIGINAL COST ESTIMATES) AWARDED TO DATE TOTALING \$21 MILLION; CONTRACT AWARDS FOR ADDITIONAL EQUIPMENT OF \$1.8 MILLION ALSO AUTHORIZED. CUMULATIVE AUTHORIZATIONS TO DATE TOTAL \$22.8 MILLION AS OF AUG. 1, 1974.

2. ON AUG. 2, WITHOUT CONSULTING BOARD, BANK MANAGEMENT AUTHORIZED AWARD OF CONTRACT FOR \$8.845 MILLION OF LIGNITE HANDLING EQUIPMENT, WITH INDICATION TO EGAT THAT AUTHORIZATION IMPLIED NO FURTHER BANK COMMITMENT TO FINANCE ANY AMOUNT IN EXCESS OF LOAN AMOUNT. APPROXIMATELY 90 PERCENT OF BIDDING IS NOW COMPLETED. EGAT ESTIMATES TOTAL FOREIGN COST OF PROJECT WILL BE \$38 MILLION OR \$15 MILLION IN EXCESS OF ORIGINAL AMOUNT, DUE TO GENERAL AND SHARP INCREASE IN WORLD PRICES FOR THIS TYPE OF EQUIPMENT DURING PAST 18 MONTHS.

3. IN SIDE LETTER NO. 4 TO LOAN AGREEMENT (LOAN NO. 113:THA) EGAT INDICATED INTENTION TO INSTALL SECOND 75 MW GENERATING UNIT AT SUCH TIME TO PERMIT COMMISSIONING NOT LATER THAN 12 MONTHS AFTER COMMISSIONING OF FIRST UNIT. WITH BANK AGREEMENT, INVITATIONS TO BID FOR FIRST UNIT INCLUDED INVITATION TO BID ON OPTIONS FOR SECOND UNIT. ON AUG. 13, 1974 BANK RECEIVED LETTER FROM EGAT APPLYING FOR \$15 MILLION SUPPLEMENTARY LOAN FOR STAGE I AND \$25 MILLION LOAN FOR STAGE II.

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EGAT HAS REQUESTED JOINT APPRAISAL OF THESE PROJECTS ASAP BECAUSE OF URGENCY OF TWO INTER-RELATED PROJECTS. BANK INDICATES IT IS SATISFIED EGAT HAS EXPLORED AVAILABILITY OF ALTERNATE SOURCES OF FINANCE INCLUDING OFFICIAL EXPORT CREDIT FINANCE FROM COUNTRIES IN WHICH SUCCESSFUL BIDDERS ARE LOCATED. REPLIES RECEIVED BY EGAT INDICATE SUCH ALTERNATE SOURCES OF FINANCE ARE NOT AVAILABLE.

4. BANK MANAGEMENT INTENDS TO AUTHORIZE BORROWER TO ISSUE LETTERS OF INTENT TO AWARD CONTRACT FOR ADDITIONAL EQUIPMENT FOR STAGE I FOR WHICH BIDS WILL BE ISSUED AND EVALUATED BY END -1974, MAKING CLEAR THERE IS NO BANK COMMITMENT TO FINANCE EQUIPMENT, BUT WITH UNDERSTANDING CONTRACTS CAN BE FINANCED FROM PROCEEDS OF PROPOSED SUPPLEMENTARY LOAN IF AND WHEN APPROVED BY BOARD. RE STAGE II PROCUREMENT, MANAGEMENT PROPOSES TO AUTHORIZE EGAT TO EXERCISE OPTION INCLUDED IN ORIGINAL (STAGE I) TENDER INVITATION APPROVED BY BANK WITH PROVISIO NO BANK COMMITMENT IS IMPLIED TO FINANCE EQUIPMENT PRIOR TO BOARD CONSIDERATION AND APPROVAL OF STAGE II. (OPTION FOR SECOND TURBINE GENERATOR PLANT EXPIRES JULY 1, 1975 WHILE OPTION FOR BOILER EQUIPMENT WILL HAVE TO BE EXERCISED BEFORE JAN 1975.)

5. MANAGEMENT PROPOSES TO AUTHORIZE EGAT TO ACT ON OPTION IF NO OBJECTION TO, OR REQUEST FOR, DISCUSSION OF RECOMMENDATION MADE BY ANY BOARD MEMBER BY NOV. 7. IN ORDER TO ALLOW SUFFICIENT TIME TO REACT TO BANK PROPOSAL, U.S. DIRECTOR REQUESTED NORMAL 3-WEEK INTERVAL, WHICH WAS GRANTED, EXTENDING OBJECTION DEADLINE TO NOV. 21. IN DISCUSSION WITH BANK STAFF, USADB WAS INFORMED THAT EVEN THOUGH BOARD HAD APPROVED OPTION PROVISION AS PART OF STAGE I BANK FELT IN VIEW OF FACT PROVISION FIRST SUCH OPTION INCLUDED IN ANY BANK PROJECT, BOARD SHOULD HAVE OPPORTUNITY TO EXPRESS SPECIFIC APPROVAL, PARTICULARLY SINCE STAGE II LOAN APPLICATION HAS BEEN OFFICIALLY RECEIVED BY BANK. USADB PREPARED TO ACCEPT BANK PROPOSAL AND DOES NOT INTEND TO RAISE OBJECTION.

6. ADB DOC R102-74 ON ABOVE SUBJECT POUCHED ADDRESSEES  
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NOV. 4.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CONTRACTS, ELECTRIC POWER PLANTS, BANK LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 08 NOV 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GarlanWA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Executive Order:** N/A  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** MANILA 11580 (1972)  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GarlanWA  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 AUG 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09-Aug-2002 by cunninfx>; APPROVED <27 MAR 2003 by GarlanWA>  
**Review Markings:**

Declassified/Released  
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EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MAE MOH POWER PROJECT (THAILAND)  
**TAGS:** EAID, EFIN, TH, ADB-1  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005